

STATE OF LOUISIANA LEGISLATIVE AUDITOR

University of Louisiana at Monroe
State of Louisiana
Monroe, Louisiana

November 19, 2001



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
Monroe, Louisiana

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2001
With Supplemental Information Schedules

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

November 19, 2001

**UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA**

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2001
With Supplemental Information Schedules

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November 15, 2001

Independent Auditor's Report
on the Financial Statements

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
Monroe, Louisiana

We have audited the accompanying general purpose financial statements of the University of Louisiana at Monroe, a component unit of the State of Louisiana, as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the University of Louisiana at Monroe's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were not able to perform sufficient audit procedures to satisfy ourselves as to the fund balances at the beginning of the year because various adjustments netting (\$180,683) were made by the University of Louisiana at Monroe to restate beginning fund balance for amounts that had no supporting documentation.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the unsupported adjustments to the beginning fund balances, the accompanying general purpose financial statements referred to above present fairly, in all material respects, the financial position of the University of Louisiana at Monroe at June 30, 2001; the changes in fund balances; and the current funds' revenues, expenditures, and other changes for the year ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

LEGISLATIVE AUDITOR

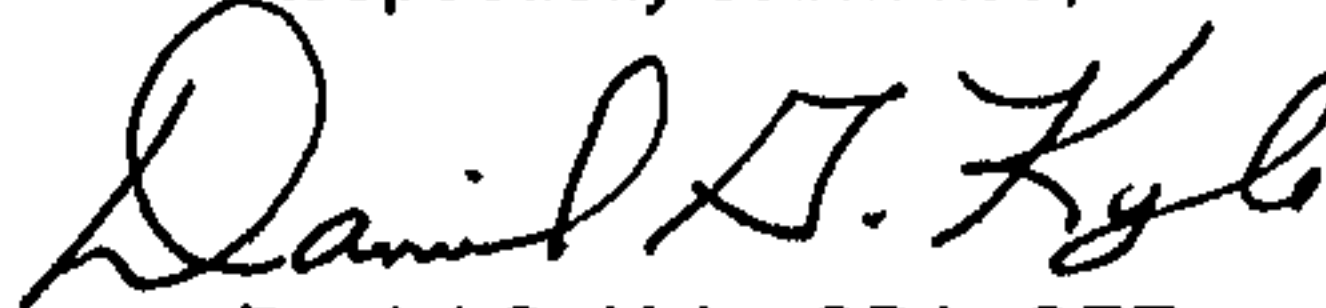
UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
Audit Report, June 30, 2001

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2001, on our consideration of the University of Louisiana at Monroe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in note 23 to the general purpose financial statements, the University of Louisiana at Monroe will implement the provisions of Government Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* for the year ending June 30, 2002. The effects of GASB Statement Number 34 are expected to significantly impact the presentation of the financial statements of the University of Louisiana at Monroe in the year of implementation. The revised minimum reporting requirements include *Management's Discussion and Analysis* to introduce the basic financial statements and to provide an analytical overview of the University of Louisiana at Monroe's financial activities. In addition, the revised requirements include the presentation of the University of Louisiana at Monroe's financial statements as a business-type activity using the economic resources measurement focus and the accrual basis of accounting.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the University of Louisiana at Monroe. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

CAC:WJR:DSP:dl

[ULM01]

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA

Balance Sheet - All Funds
For the Year Ended June 30, 2001

	CURRENT FUNDS			STUDENT	ENDOWMENT
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	LOAN FUNDS	FUNDS
ASSETS					
Cash and cash equivalents	\$264,903		\$879,292	\$789,400	
Investments					\$5,656,391
Accounts receivable (net)	622,208	\$293,393	2,140,577	2,053	
Due from other funds	3,588,307	251,059	117,026		
Due from private foundations	2,934				
Notes receivable (net)				5,243,591	
Deferred charges and prepaid expenses	488,281	166,971	40,784		
Inventories	460,655	694,161			
Institutional plant					
TOTAL ASSETS	\$5,427,288	\$1,405,584	\$3,177,679	\$6,035,044	\$5,656,391
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable and accruals	\$2,459,692	\$309,689	\$405,529	\$169	
Compensated absences payable	4,755,556	644,908	260,821		
Due to state treasury	53,257				
Due to other funds	102,342	3,308,900	205,954	106,873	
Deferred revenues	2,266,289	166,538			
Amounts held in custody for others	85,053	113,900			
Bonds payable					
Other liabilities					
Total liabilities	9,722,189	4,543,935	872,304	107,042	NONE
Fund equity:					
Net investment in plant					
Fund balances:					
Reserved for debt service					
Reserved for inventories	460,655				
Reserved for encumbrances		157,414	700,447		
Current operations - unrestricted (deficit)	(4,755,556)				
Current operations - restricted (deficit)		(3,295,765)	1,604,928		
Noncurrent operations:					
Restricted				5,928,002	
Endowment					\$5,426,203
Quasi-endowment					230,088
Total fund equity (deficit)	(4,294,901)	(3,138,351)	2,305,375	5,928,002	5,656,391
TOTAL LIABILITIES AND FUND EQUITY	\$5,427,288	\$1,405,584	\$3,177,679	\$6,035,044	\$5,656,391

The accompanying notes are integral part of this statement.

PLANT FUNDS					TOTAL (MEMORANDUM ONLY)
UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	AGENCY FUNDS	
\$805,558	\$512,516	\$1,214,007		\$617,445	\$5,083,121
					5,656,391
4,986				27,681	3,090,898
15,057				66,373	4,037,822
					2,934
					5,243,591
		220,684		1,900	918,620
					1,154,816
			\$153,017,654		153,017,654
\$825,601	\$512,516	\$1,434,691	\$153,017,654	\$713,399	\$178,205,847
\$5,566				\$20,891	\$3,201,536
					5,661,285
					53,257
300,496				13,257	4,037,822
					2,432,827
				659,203	858,156
			\$4,385,000		4,385,000
		\$28,609		20,048	48,657
306,062	NONE	28,609	4,385,000	713,399	20,678,540
			148,632,654		148,632,654
	\$512,516	1,406,082			1,918,598
					460,655
					857,861
					(4,755,556)
					(1,690,837)
519,539					6,447,541
					5,426,303
					230,088
519,539	512,516	1,406,082	148,632,654	NONE	157,527,307
\$825,601	\$512,516	\$1,434,691	\$153,017,654	\$713,399	\$178,205,847

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA

Statement of Changes in Fund Balances
For the Year Ended June 30, 2001

	CURRENT FUNDS			STUDENT LOAN FUNDS
	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED	
Revenues and other additions:				
Unrestricted current fund revenues	\$58,926,028			
Tuition and fees - restricted			\$2,602,280	\$17,024
Governmental grants and contracts - restricted:				
Federal			12,589,177	67,579
State			4,634,831	
Local			261,690	22,745
Private gifts, grants, and contracts - restricted			1,787,607	
Investment income - restricted			79,038	
Endowment income				
Auxiliary enterprise revenues		\$14,252,541		
Interest on loans receivable				127,771
Retirement of indebtedness				
Additions to plant facilities			337,469	1,180,907
Other sources				
Total revenues and other additions	<u>58,926,028</u>	<u>14,252,541</u>	<u>22,292,092</u>	<u>1,416,026</u>
Expenditures and other deductions:				
Educational and general	56,043,066		21,565,716	
Auxiliary enterprises		17,993,194		
Indirect costs recovered			414,363	
Retirement of indebtedness				
Interest on indebtedness				
Disposal of plant facilities				
Compensated absences	(557,078)	(4,443)	(58,272)	
Other				890,151
Total expenditures and other deductions	<u>55,485,988</u>	<u>17,988,751</u>	<u>21,921,807</u>	<u>890,151</u>
Transfers among funds - additions (deductions):				
Mandatory:				
Principal and interest		(846,221)		
Other	(29,443)	(24,526)	29,443	
Nonmandatory:				
Other	(2,124,487)	2,176,901	(52,414)	
Total transfers among funds	<u>(2,153,930)</u>	<u>1,306,154</u>	<u>(22,971)</u>	<u>NONE</u>
Inventory increase	<u>355,548</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Net increase (decrease) for the year	1,641,658	(2,430,056)	347,314	525,875
Fund balances (deficit) at July 1, 2000, restated	(6,275,687)	(369,167)	1,958,061	5,402,127
Fund equity transfers	<u>339,128</u>	<u>(339,128)</u>	<u>NONE</u>	<u>NONE</u>
Fund balances (deficit) at June 30, 2001	<u>(\$4,294,901)</u>	<u>(\$3,138,351)</u>	<u>\$2,305,375</u>	<u>\$5,928,002</u>

The accompanying notes are an integral part of this statement.

Statement B

ENDOWMENT FUNDS	PLANT FUNDS			INVESTMENT IN PLANT	TOTAL (MEMORANDUM ONLY)
	UNEXPENDED	RENEWALS AND REPLACEMENTS	RETIREMENT OF INDEBTEDNESS		
					\$58,926,028
	\$532,072				3,151,376
					12,656,756
					4,634,831
					284,435
					1,787,607
	56,882	\$6,831	\$66,010		208,761
\$296,328					296,328
					14,252,541
					127,771
				\$855,724	855,724
				7,579,848	7,579,848
				5,043	1,560,282
36,863					
333,191	588,954	6,831	66,010	8,440,615	106,322,288
184,832					77,793,614
					17,993,194
					414,363
	379,724		476,000		855,724
	143,654		126,952		270,606
				2,141,864	2,141,864
					(619,793)
	88,402		2,346		980,899
184,832	611,780	NONE	605,298	2,141,864	99,830,471
	243,275		602,946		
			24,526		
		369,963	(369,963)		
NONE	243,275	369,963	257,509	NONE	NONE
NONE	NONE	NONE	NONE	NONE	355,548
148,359	220,449	376,794	(281,779)	6,298,751	6,847,365
5,508,032	299,090	135,722	1,687,861	142,333,903	150,679,942
NONE	NONE	NONE	NONE	NONE	NONE
\$5,656,391	\$519,539	\$512,516	\$1,406,082	\$148,632,654	\$157,527,307

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
CURRENT FUNDS

**Statement of Revenues, Expenditures,
and Other Changes
For the Year Ended June 30, 2001**

	GENERAL	AUXILIARY ENTERPRISES	RESTRICTED
Revenues:			
Tuition and fees	\$20,762,362	\$706,312	\$2,477,608
State appropriations	36,314,750		
Governmental grants and contracts:			
Federal	463,024		12,527,606
State			4,154,917
Local			226,372
Private gifts, grants, and contracts			1,738,265
Investment income	395,108		78,909
Auxiliary enterprise revenues		13,546,229	
Other sources	990,784		326,737
Total revenues	<u>58,926,028</u>	<u>14,252,541</u>	<u>21,530,414</u>
Expenditures and transfers:			
Educational and general:			
Instruction	26,246,325		1,886,495
Research	4,193,503		4,244,139
Public service	1,087,184		2,310,229
Academic support	4,270,593		579,409
Student support	3,365,654		8,042
Institutional support	6,224,142		2,466,994
Operations and maintenance of plant	6,329,769		5,694
Scholarships and fellowships	4,325,896		10,044,704
Compensated absences	(557,078)	(4,443)	(58,272)
Other			20,009
Total educational and general expenditures	<u>55,485,988</u>	<u>(4,443)</u>	<u>21,507,443</u>
Mandatory transfer - other	29,443		(29,443)
Nonmandatory transfer - other	2,124,487		52,414
Total transfers	<u>2,153,930</u>	<u>NONE</u>	<u>22,971</u>
Auxiliary enterprises:			
Auxiliary enterprises expenditures		17,993,194	
Mandatory transfers for:			
Principal and interest		846,221	
Other		24,526	
Nonmandatory transfer - other		(2,176,901)	
Total auxiliary enterprises	<u>NONE</u>	<u>16,687,040</u>	<u>NONE</u>
Total expenditures and transfers	<u>57,639,918</u>	<u>16,682,597</u>	<u>21,530,414</u>
Other additions (deductions):			
Excess of restricted receipts over transfers to revenue			761,677
Inventory increase	355,548		
Other - indirect cost			(414,363)
Net increase (decrease) in fund balances	<u>\$1,641,658</u>	<u>(\$2,430,056)</u>	<u>\$347,314</u>

The accompanying notes are an integral part of this statement.

**UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2001

INTRODUCTION

University of Louisiana at Monroe is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana, within the executive branch of government. The university is under the management and supervision of the University of Louisiana System Board of Trustees; however, the annual budget of the university and changes to the degree programs, departments of instruction, et cetera, require the approval of the Board of Regents for Higher Education. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

University of Louisiana at Monroe is located in Monroe, Louisiana, offering academic, cultural, vocational, social and continuing education for Northeast Louisiana. The university offers associate, baccalaureate, and selected masters and specialists degrees in the areas of business, education, liberal arts, and the sciences. In addition, the university awards a Doctor of Philosophy degree in pharmacy and a Doctorate in Marriage and Family Therapy. Student enrollment was approximately 8,699 for the 2001 spring semester. The university has 497 faculty and 693 support staff members.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) recognizes two models for college and university accounting and financial reporting in GASB Statement 15: the American Institute of Certified Public Accountants (AICPA) College Guide model and the Governmental model, established by the National Council on Governmental Accounting. The accompanying financial statements have been prepared in accordance with the AICPA College Guide model principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Therefore, the accompanying financial statements of the university contain sub-account information of the various funds of the State of Louisiana. The university is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing boards are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the university primarily serves state

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

residents. The accompanying financial statements present information only as to the transactions of the programs of the University of Louisiana at Monroe, a component unit of the State of Louisiana.

Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements. The general purpose financial statements are audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

To observe the limitations and restrictions placed on the use of available resources, the accounts of the university are maintained in accordance with the principles of fund accounting. Such principles prescribe the manner in which resources for various purposes are classified, for accounting and reporting purposes, into funds that are in accordance with specified activities or objectives. Accounts are separately maintained for each fund; however, in the accompanying financial statements, funds having similar characteristics have been combined into fund groups. Accordingly, all financial statements have been reported by fund groups. A brief description of each fund group follows:

Current Funds

Current funds are operating funds that will be expended in the near term. Such funds have two basic subgroups, unrestricted and restricted.

Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control provisions included in the annual legislative appropriation act, and include the General Fund and Auxiliary Enterprise funds. Restricted current funds represent those operating funds on which restrictions have been imposed that limit the purposes for which such funds can be used, and includes gifts, grants, or contracts from governmental or private agencies. Fund equity of the Auxiliary Enterprises Fund is restricted by covenants of bond indentures.

Student Loan Funds

The student loan funds group accounts for resources available for loans to students.

Endowment Funds

Endowment funds are funds to which donors or other outside agencies have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income that may either be expended or added to principal.

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Plant Funds

The plant funds group contains four self-balancing subgroups. Unexpended plant funds are used for the acquisition of long-lived assets for institutional purposes. Funds for renewals and replacements are set aside from current operating revenues for the renewal and replacement of auxiliary enterprise properties. Funds for retirement of indebtedness are to service plant indebtedness of the university. Investment in plant includes all long-lived assets of the university.

Agency Funds

Agency funds are deposits in which the university acts as custodian or fiscal agent on behalf of others, such as student or faculty organizations and workshops.

D. BASIS OF ACCOUNTING

The financial statements of the university have been prepared on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) summer school tuition and fees and faculty salaries and related benefits for the General Fund for June are not prorated but are deferred to the succeeding year; and (3) inventories of the General Fund are recorded as expenditures at the time of purchase.

The statement of current funds' revenues, expenditures, and other changes is a statement of financial activities of current funds relating to the current reporting period. It does not purport to present the results of operations (net income or loss) for the period, as would a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as expenditures in the case of normal acquisitions, repairs and renovations; mandatory transfers in the case of required provisions for debt amortization and interest; and as transfers of a nonmandatory nature for all other cases.

E. BUDGET PRACTICES

The appropriation made for the General Fund of the university is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive branches of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

are not prorated but are recognized in the succeeding year; and (4) inventories in the General Fund are recorded as expenditures at the time of purchase.

The budget amounts for fiscal year ended June 30, 2001, include the original approved budgets and subsequent amendments approved as follows:

Original approved budget	\$57,307,647
General Fund by direct:	
Operational funds	757,864
Desegregation Settlement Agreement funds	25,000
Distribution of performance funding allocation	39,372
Fees and self-generated - annual fee increase	<u>845,850</u>
Total	<u>\$58,975,733</u>

The other funds of the university, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process and, therefore, are not presented.

**F. CASH AND CASH EQUIVALENTS
AND INVESTMENTS**

Cash includes cash on hand, demand deposits, interest-bearing demand deposits, and cash in the state treasury. Cash equivalents include time deposits. Under state law, the university may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Investments are maintained in investment accounts in the University of Louisiana at Monroe Foundation as authorized by policies and procedures established by the Board of Regents for the Endowment Fund.

G. INVENTORIES

The university maintains perpetual inventories for all significant inventories. The cost of the General Fund inventory is determined by the weighted-average method. The year-end balance of the General Fund is offset by a fund balance reserve that indicates this portion of the fund balance does not constitute available spendable resources. Acquisitions of inventory in the General Fund are recorded as expenditures when purchased, and the difference between inventory cost at the beginning and end of the year is reported on Statement B as an adjustment of fund balance reserved for inventory. The inventories of the Auxiliary Enterprise Funds are expended when sold or used.

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

H. DEFERRED REVENUES

General Fund tuition and fees collected at June 30, 2001, but applicable to the 2001 summer session, are reported as deferred revenues. Expenses relating to this session are reported in the period the tuition and fees are recognized as revenues.

I. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve fund balances, is employed by the university. Encumbrances outstanding at year-end in all funds, except for the General Fund, are reported as reservations of fund balance since they do not constitute expenditures or liabilities in the year encumbered. Encumbrances of the General Fund are not included in the financial statements because the university does not have the ability to finance the liquidation of encumbrances after June 30, 2001, as provided by R.S. 39:82.

J. PLANT ASSETS

Physical plant and equipment are stated at cost at the date of acquisition, estimated cost if actual cost is not known, fair market value at date of donation in the case of gifts, or market value for livestock. Public domain or infrastructures are not capitalized. Construction-in-progress is capitalized during construction. No depreciation has been provided on plant assets.

K. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who have non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum payment for annual and sick leave that would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The liability for unused annual leave and unused sick leave is recorded in the accompanying financial statements.

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the classified employee's hourly rate of pay at termination or transfer.

L. TOTAL COLUMNS ON STATEMENTS

Total columns on the statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither is such data comparable to a consolidation.

2. CASH AND CASH EQUIVALENTS

At June 30, 2001, the university has cash and cash equivalents (book balances) totaling \$5,083,121 as follows:

Cash on hand	\$102,918
Demand deposits	197,534
Interest-bearing demand deposits	4,720,821
Cash with fiscal agents	<u>61,848</u>
Total	<u><u>\$5,083,121</u></u>

These deposits are stated at cost, which approximates market. Under state law, all deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the university or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2001, the university has \$8,293,241 in deposits (collected bank balances). These deposits are secured from risk by \$555,772 of federal deposit insurance (GASB Category 1), and \$7,737,469 of pledged securities held in joint custody in the Federal Reserve Bank (Category 2).

3. INVESTMENTS

Investments at June 30, 2001, as shown on Statement A, have a reported amount and fair value of \$5,656,391 and consist of external investment pool investments, which are non-categorized. Those investments are managed by an investment firm in accordance with a cooperative endeavor agreement between the university and the University of Louisiana at Monroe Foundation and are maintained as authorized by policies and procedures established by the Board of Regents for the Endowment Fund.

UNIVERSITY OF LOUISIANA AT MONROE
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Notes to the Financial Statements (Continued)

4. ACCOUNTS RECEIVABLE

Accounts receivable are shown on Statement A net of an allowance for doubtful accounts as follows:

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Statement A</u>
General	\$1,078,970	\$456,762	\$622,208
Auxiliary	739,332	445,939	293,393
Restricted	2,140,577		2,140,577
Student Loan	2,053		2,053
Unexpended Plant	4,986		4,986
Agency	27,681		27,681
Total	<u>\$3,993,599</u>	<u>\$902,701</u>	<u>\$3,090,898</u>

5. NOTES RECEIVABLE

Notes receivable within the student loan funds are shown on Statement A net of an allowance for uncollectibles as follows:

<u>Fund</u>	<u>Notes Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Statement A</u>
Perkins Loans	\$4,344,526	\$292,387	\$4,052,139
Pharmacy Loans	1,206,171	27,621	1,178,550
Nursing Loans	54,485	48,046	6,439
Short-Term Loans	230,458	223,995	6,463
Total	<u>\$5,835,640</u>	<u>\$592,049</u>	<u>\$5,243,591</u>

Funds available for lending by the Federal Perkins Loan and Health Profession Loan Funds are provided by restricted federal and state capital contributions and interest earned on notes receivable. The sources of funds available for lending by the Short-Term Student Loan Fund are restricted student fees and interest earned on notes receivable.

UNIVERSITY OF LOUISIANA AT MONROE
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Notes to the Financial Statements (Continued)

6. DUE TO/FROM OTHERS

The following is a summary of amounts due to/from others at June 30, 2001:

	General Fund	Auxiliary Enterprises Fund	Restricted Fund
General		\$3,284,601	\$197,461
Auxiliary			
Restricted	\$29,443	24,299	
Unexpended	15,019		
Agency	57,880		8,493
Total Due to Other Funds	<u>\$102,342</u>	<u>\$3,308,900</u>	<u>\$205,954</u>

The interfund balances reported above do not represent formal borrowing or lending arrangements. Daily transactions that affect multiple funds frequently require corresponding transfers of cash between bank accounts of the affected funds. To avoid the possibility of errors that would be inherent in frequent cash transfers, the university accumulates such transactions in interfund accounts during each month and clears the interfund balances with a single cash transfer entry after closing the books for the month. The balances above are to be substantially settled by such cash transfers in July 2001.

7. PENSION PLANS

Plan Description. Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Teachers Retirement System of Louisiana (TRSLA), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRSLA and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements

Student Loan Funds	Unexpended Plant Fund	Agency Fund	Total Due From Other Funds
\$106,245			\$3,588,307
	\$237,840	\$13,219	251,059
628	62,656		117,026
		38	15,057
			66,373
<u>\$106,873</u>	<u>\$300,496</u>	<u>\$13,257</u>	<u>\$4,037,822</u>

UNIVERSITY OF LOUISIANA AT MONROE
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Notes to the Financial Statements (Continued)

and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the university are established by and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRSLA) and 7.5% (LASERS) of covered salaries. For fiscal year 2000-2001, the state is required to contribute 14.2% of covered salaries to TRSLA and 13% of covered salaries to LASERS. The university's employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The university's employer contributions to TRSLA for the years ended June 30, 2001, 2000, and 1999, were \$1,671,186, \$1,825,955, and \$1,993,349, respectively, and to LASERS for the years ended June 30, 2001, 2000, 1999, were \$1,328,866, \$1,308,496, \$1,267,270, respectively, equal to the required contributions for each year.

8. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the TRSLA for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRSLA and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the university are 14.2% of the covered payroll for the year ended June 30, 2001. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRSLA pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRSLA retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligations of the State of Louisiana or the Teachers Retirement System of Louisiana. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer contributions to the optional retirement plan totaled \$2,248,313 for the year ended June 30, 2001.

UNIVERSITY OF LOUISIANA AT MONROE
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Notes to the Financial Statements (Continued)

**9. POSTRETIREMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The university provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the university's employees become eligible for these benefits if they reach normal retirement age while working for the university. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the university. The university recognizes the cost of providing these benefits to retirees (university's portion of premiums) as an expenditure when paid during the year. These retiree benefits, for 423 retirees, totaled \$1,469,863 for the year ended June 30, 2001.

10. COMPENSATED ABSENCES

At June 30, 2001, employees of the university have accumulated and vested \$2,748,158 of employee annual leave benefits, \$2,874,672 of sick leave benefits, and \$38,455 of compensatory leave earned, which was computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

The university's current and long-term liability for compensated absences (annual, sick, and compensatory leave) at June 30, 2001, is as follows:

Current liability - estimated to be paid within one year	\$408,182
Long-term liability	<u>5,253,103</u>
Total liability for compensated absences	<u><u>\$5,661,285</u></u>

**11. ON-BEHALF PAYMENTS FOR FRINGE
BENEFITS AND SALARIES**

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. For example, a non-governmental fund-raising foundation affiliated with a governmental university may supplement salaries of certain university faculty. Those payments constitute on-behalf payments for purposes of reporting by the university if they are made to the faculty members in their capacity as employees of the university (GASB 24).

UNIVERSITY OF LOUISIANA AT MONROE
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Notes to the Financial Statements (Continued)

The amount of on-behalf payments for fringe benefits and salaries included in the accompanying financial statement for fiscal year 2000-2001 was \$329,921, which was contributed by the University of Louisiana at Monroe Foundation and the University of Louisiana at Monroe Athletic Scholarship Foundation.

12. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the university for the fiscal year ended June 30, 2001:

Bonds payable July, 1, 2000	\$5,240,724
Bonds retired	<u>(855,724)</u>
Bonds payable at June 30, 2001	<u>\$4,385,000</u>

A detailed summary of all debt outstanding for the year ending June 30, 2001, including interest payments of \$1,128,673, is as follows:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2000</u>
Student Housing Facilities Bonds:			
Series 1961-B	April 1, 1961	\$1,385,000	\$56,000
Series 1963	April 1, 1963	1,200,000	175,000
Series 1964	April 1, 1964	1,800,000	335,000
Series 1965	April 1, 1965	3,000,000	685,000
Series 1966	April 1, 1966	3,700,000	1,670,000
Education Facilities Bonds:			
Series 1970-D	April 1, 1970	693,000	38,000
Series 1972-O	November 1, 1972	350,000	70,000
Series 1976-B	February 1, 1976	1,100,000	85,599
Natatorium Bond			
Series 1976-C	June 1, 1976	1,700,000	121,125
Physical Education Complex			
Series 1992-A	March 1, 1992	<u>2,650,000</u>	<u>2,005,000</u>
Total		<u>\$17,578,000</u>	<u>\$5,240,724</u>

<u>Redeemed (Issued)</u>	<u>Outstanding June 30, 2001</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2001</u>
\$56,000		2001	3.5%	
55,000	\$120,000	2002-2003	3.8%	\$6,750
80,000	255,000	2002-2004	3.75 - 5.0%	15,600
130,000	555,000	2002-2005	3 7/8%	54,444
155,000	1,515,000	2002-2006	4.9 - 5%	240,100
38,000		2001	3%	
20,000	50,000	2002	5.3 - 5.4%	2,450
85,599		2001	5.6%	
121,125		2001	5.8%	
<u>115,000</u>	<u>1,890,000</u>	2002-2012	6 - 8%	<u>809,329</u>
<u>\$855,724</u>	<u>\$4,385,000</u>			<u>\$1,128,673</u>

UNIVERSITY OF LOUISIANA AT MONROE
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Notes to the Financial Statements (Continued)

The annual requirements to amortize all long-term debt outstanding at June 30, 2001, including interest of \$1,128,673, are as follows:

Fiscal Year Ending:	
2002	\$891,041
2003	885,920
2004	859,904
2005	777,279
2006	625,155
Subsequent years	<u>1,474,374</u>
Total	<u><u>\$5,513,673</u></u>

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2001:

<u>Bond Issue</u>	<u>Cash Reserves Available</u>	<u>Reserve Requirement</u>	<u>Excess (Deficiency)</u>
Student Housing Facilities	\$1,154,753	\$1,052,040	\$102,713
Education Facilities	30,645	27,700	2,945
Physical Education Complex	<u>220,684</u>	<u>220,684</u>	
Total	<u><u>\$1,406,082</u></u>	<u><u>\$1,300,424</u></u>	<u><u>\$105,658</u></u>

The bond agreements of the housing system revenue bonds require that, after all required deposits have been made to the housing revenue bonds reserve funds, a sum be deposited in a housing system repair and replacement reserve until that reserve totals \$1,342,540. At June 30, 2001, the Renewals and Replacement Reserve Fund has a balance of \$512,516.

The Physical Education Complex Bonds, Series 1992-A, dated March 1, 1992, are general obligation bonds of the state serviced by the state treasury. These bonds are reimbursed by the university from student assessed recreational facilities use fees.

13. GENERAL FUND

At June 30, 2001, the General Fund has an unexpended appropriation of \$53,257 due to the State Treasury.

UNIVERSITY OF LOUISIANA AT MONROE
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Notes to the Financial Statements (Continued)

As provided by Act 971 of 1985 [R.S. 17:3386(A)], the university adopted a building and facility preventative maintenance program. This program allows the university to retain any funds appropriated or allocated that were unexpended and unobligated at June 30, 2001. At least 50% of these funds will be maintained in a preventive maintenance reserve fund in the Restricted Fund and will be used solely for preventative maintenance purposes, in accordance with the approved program, subject to approval by the University of Louisiana Board of Supervisors, the Louisiana Board of Regents, and the Joint Legislative Committee on the Budget. All retained funds will be spent for nonrecurring projects. Accordingly, the financial statements reflect nonmandatory transfers of \$29,443 between the General and Restricted funds.

14. FUND BALANCES

Fund balances at June 30, 2001, as shown on Statement A, are as follows:

	<u>Unrestricted</u>	<u>Internally Designated</u>	<u>Internally Restricted</u>	<u>Externally Restricted</u>	<u>Total</u>
Current Funds:					
General	(\$4,755,556)	\$460,655			(\$4,294,901)
Auxiliary Enterprises		157,414	(\$3,295,765)		(3,138,351)
Restricted				\$2,305,375	2,305,375
Noncurrent Funds:					
Student Loan				5,928,002	5,928,002
Endowment				5,656,391	5,656,391
Plant Funds:					
Unexpended				519,539	519,539
Renewals and Replacements				512,516	512,516
Retirement of Indebtedness				1,406,082	1,406,082
Total	<u>(\$4,755,556)</u>	<u>\$618,069</u>	<u>(\$3,295,765)</u>	<u>\$16,327,905</u>	<u>\$8,894,653</u>

15. FUND EQUITY (Deficit)

As shown on Statement A, the General Fund has a deficit of \$4,294,901 as a result of accounting for compensated absences in accordance with GASB Codification Section C60. The deficit will be funded by future General Fund appropriations and other revenues. The university's Auxiliary Enterprise Fund had a restricted fund balance deficit of \$3,138,351 for the year ended June 30, 2001. The Auxiliary Enterprise Fund deficit included \$644,908 as a result of the liability for compensated absences and \$2,493,443 as a result of deficit spending. Management has developed a three-year business operations plan to eliminate the deficit in the Auxiliary Enterprise Fund (excluding Athletics). The plan includes, but is not limited to, (1) adjust personal services cost in food services units to anticipated revenue levels, (2) close dormitories to save cost, (3) adjust room and board rates effective fall 2001, and (4) increase

UNIVERSITY OF LOUISIANA AT MONROE
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Notes to the Financial Statements (Continued)

activity center fees effective spring 2002. A five- to six-year plan is also being developed to reduce and eliminate over the time frame the deficit in the Athletics Auxiliary Enterprise unit.

16. STUDENT LOAN FUNDS

The fund balances of the student loan funds at June 30, 2001, are as follows:

Perkins Loans Fund	\$4,539,014
Health Profession Student Loan Funds:	
Pharmacy	1,364,249
Nursing	(3,164)
Short-Term Student Loan Fund	<u>27,903</u>
Total	<u>\$5,928,002</u>

17. PLANT FUNDS

The restricted fund balances of the unexpended plant funds at June 30, 2001, are as follows:

Building Use Fee Fund	\$193,878
Vehicle Use Fee Fund	441,065
Student Union Building Renovation Fund	575
Natatorium	(181,232)
Physical Education Complex	<u>65,253</u>
Total	<u>\$519,539</u>

In August 1987, the Financial Accounting Standards Board (FASB) issued Statement No. 93, *Recognition of Depreciation by Not-for-Profit Organizations*, which requires not-for-profit organizations, including colleges and universities, to recognize depreciation of their long-lived tangible assets in their financial statements. In January 1988, the GASB issued Statement No. 8, which addresses the implementation of FASB Statement No. 93. *Codification of Governmental Accounting and Financial Reporting Standards* Section Co5.102 states that "Colleges and universities that follow the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, should not change their accounting and reporting for depreciation of capital assets as a result of FASB Statement No. 93; the GASB has several projects under way that may affect that reporting." As reflected in note 1-D, depreciation is not currently recognized by the university.

UNIVERSITY OF LOUISIANA AT MONROE
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Notes to the Financial Statements (Continued)

A summary of investment in plant follows:

	Balance July 1, 2000	Adjustments	Additions	Deletions	Balance June 30, 2001
Land	\$6,042,752				\$6,042,752
Improvements	4,880,026				4,880,026
Buildings	101,442,905	(\$1,637,633)		\$398	99,804,874
Equipment	31,316,268	(10,060,293)	\$2,561,425	2,090,638	21,726,762
Library books	12,633,187		233,547	22,978	12,843,756
Livestock		232,550	54,874	27,850	259,574
Construction in progress	2,918,002	(188,094)	4,730,002		7,459,910
Total	<u>\$159,233,140</u>	<u>(\$11,653,470)</u>	<u>\$7,579,848</u>	<u>\$2,141,864</u>	<u>\$153,017,654</u>

In accordance with R.S. 39:321-332, the university has complied with the Louisiana movable property statutes.

The "Adjustments" column accounts for the following changes to the Investment in Plant balance at June 30, 2000, as follows:

Correction of prior year errors	(\$2,229,142)
Change in capitalization policy for equipment from \$250 to \$1,000	<u>(9,424,328)</u>
Total adjustments	<u>(\$11,653,470)</u>

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

18. AUXILIARY ENTERPRISES

The university maintains various auxiliary enterprise funds that provide services to the university community. Segment information for the year ended June 30, 2001, is shown as follows:

	Food Service	Housing	Bookstore	Student Center	Athletics	Other	Total
Net increase (decrease)							
In fund balances	(\$434,246)	(\$737,228)	\$262,066	(\$55,787)	(\$1,210,046)	(\$254,815)	(\$2,430,056)
Net income	(290,442)	(590,982)	408,366	(51,987)	(1,210,046)	(694,965)	(2,430,056)
Net assets	(8,116,412)	418,245	5,187,179	(869,324)	(1,853,731)	2,095,692	(3,138,351)
Outstanding principal and interest on debt		2,761,894				2,699,330	5,461,224
Annual principal and interest on debt		2.5%-5.0%				6.1%-8.0%	

19. FOUNDATIONS

The accompanying financial statements do not include the accounts of the University of Louisiana at Monroe Foundation, Incorporated; the University of Louisiana at Monroe Athletic Scholarship Foundation, Incorporated; and the University of Louisiana at Monroe Alumni Association. These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

University of Louisiana at Monroe has contracted with the University of Louisiana at Monroe Foundation to invest the university's seven Endowed Chairs for Eminent Scholars endowment funds and 38 Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3384. The Endowed Chairs for Eminent Scholars endowment funds are established for \$1,000,000 each, with \$600,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education. The Endowed Professorship Program endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education.

The endowment base totaled \$13,770,080 at July 1, 2000. During the year ended June 30, 2001, the foundation earned \$740,820 of interest income on these endowment funds. Contributions and transfers totaled \$92,158 and expenditures totaled \$462,079. At June 30, 2001, the foundation held in its custody \$14,140,979 of Endowed Chairs for Eminent Scholars and Endowed Professorship Programs funds. As shown on Statement A, net asset accounts have been established for the university's 40%, totaling \$5,656,391.

UNIVERSITY OF LOUISIANA AT MONROE
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Notes to the Financial Statements (Continued)

20. DEFERRED COMPENSATION PLAN

Certain employees of the university participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

21. PRIOR YEAR FUND BALANCE RESTATED

The following adjustments were made to restate beginning fund balances as of July 1, 2000. The adjustments include certain known items in the net amount of (\$12,742,844) and unidentified items in the net amount of (\$180,683) to adjust for prior-period errors.

	Fund Balance (Deficit) June 30, 2000	Adjustments	Fund Balance (Deficit) Restated June 30, 2000
Current Funds:			
General	(\$5,207,530)	(\$1,068,157)	(\$6,275,687)
Auxiliary Enterprise	(518,669)	149,502	(369,167)
Restricted	2,210,010	(251,949)	1,958,061
Student Loan Funds	5,412,544	(10,417)	5,402,127
Endowment Funds	5,508,032		5,508,032
Plant Funds:			
Unexpended	361,746	(62,656)	299,090
Renewals and Replacements	162,102	(26,380)	135,722
Retirement of Indebtedness	1,687,861		1,687,861
Investment in Plant	153,987,373	(11,653,470)	142,333,903
Total	<u>\$163,603,469</u>	<u>(\$12,923,527)</u>	<u>\$150,679,942</u>

22. FUND EQUITY TRANSFER

During the fiscal year ending June 30, 2001, budgeting for the university's Graphic and Technical Services department as well as the university's farm operations were moved from the Auxiliary Enterprise Fund to the General Fund. The activities of these units are more closely related to General Fund operations than to self-supporting auxiliary enterprise activities. As shown in Statement B, the transfer of \$339,128 is from \$106,578 for graphic and technical services and \$232,550 from farm operations.

UNIVERSITY OF LOUISIANA AT MONROE
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Notes to the Financial Statements (Concluded)

**23. IMPLEMENTATION OF GASB STATEMENT
NUMBERS 33 and 34**

The university implemented GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In the past, restricted revenues were recognized to the extent of restricted expenditures. Under the accounting for GASB 33, nonexchange transactions for advance receipts and payments that meet the eligibility requirements are recognized immediately as, respectively, revenues and expenses. The university did not exclude any transactions because they were not measurable.

Furthermore, the university will implement the provisions of GASB Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* for the fiscal year ending June 30, 2002. The effects of GASB Statement Number 34 are expected to significantly impact the presentation of the financial statements of the university in the year of implementation. The revised minimum reporting requirements include *Management's Discussion and Analysis* to introduce the basic financial statements and to provide an analytical overview of the university's financial activities. In addition, the revised requirements include the presentation of the university's financial statements as a business-type activity using the economic resources measurement focus and the accrual basis of accounting.

**UNIVERSITY OF LOUISIANA AT MONROE
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SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended June 30, 2001**

The following supplemental information schedules present the Schedule of Individual Agency Funds and the Schedule of Endowment Fund Balances for amounts included in the totals presented on Statement A for the Agency Funds and Endowment Funds.

**UNIVERSITY OF LOUISIANA AT MONROE
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**Schedule of Individual Agency Funds
For the Year Ended June 30, 2001**

Allied Health Student Insurance	\$3,952
Alumni Center	22,259
Aerospace Camp	2,652
Athletic Camp - Women's Basketball	2,628
Athletic Camp - Men's Basketball	2,797
Athletic Scholarship Foundation	(7,666)
Basic Training Academy	41,713
Center for Professional Development	29,404
CIF Revalidation	3,392
Child Development Lab	12,434
Child Welfare	3,334
Christmas Dinners	12,016
Counselor Education Center	5,392
Comp-Based Test Center	32,735
Computer Learning Center	99,397
W. Dupuis Scholarship Employee Activity	2,824
Employee Activity	2,125
Family Resource Center	11,407
Flight Team Student Fees	30,030
Garden of Learning	2,885
G/T Summer Camp	2,596
International Student's Association	7,107
Intramurals	15,315
Juvenile Officer Training	5,129
Campus Kid/Whiz Kid	2,171
Karate Team	19,880
KEDM	5,205
KNLU	111,288
Marriage and Family Counseling Lab	22,245
Miscellaneous Scholarships	4,599
NLU Band Travel	11,413
Region III Science	2,001
SBDC Camp Enterprise	2,664
Sandel Library	49,039
SBDC Entrep Outreach	2,877
Scholarship Receivable	(36,314)
Social Studies Fair	8,663

(Continued)

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
Schedule of Individual Agency Funds, 2001

Spirit Units	(\$7,211)
Student Government Association	17,662
Student Publications (Chacahoula, Pow Wow, Student Publications)	(32,033)
Summer Music Camp	18,865
Theatre Production	6,221
Tutorial Program	(23,982)
Union Board	89,741
Written Competency	10,419
Other deposits held for others	<u>27,933</u>
Total	<u><u>\$659,203</u></u>

(Concluded)

**UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA**

**Schedule of Individual Endowment Fund Balances
For the Year Ended June 30, 2001**

Eminent Scholars

Joseph A. Biedenharn Chair in Gerontology	\$633,078
Mary E. & Darrell L. Calhoun Chair in Pharmacology	519,031
Contractors Ed. Trust Fund Endowed Chair in Construction	619,930
Kitty DeGree Endowed Chair in Toxicology	592,586
Tom & Mayme Scott Endowed Chair - Clinical Pharmacy Practice	562,082
Hannah Spyker Eminent Scholars Chair in Education	589,702
Total Eminent Scholars	<u>3,516,409</u>

Endowed Professorships

Abell Endowed Professorship in Entrepreneurship	61,904
Bank One Professorship in Teacher Education	50,553
BellSouth Endowed Professorship in Science Education	54,459
Clarke Williams Jr. Prof. in Communicative Software Design	57,243
Emy-Lou Biedenharn Endowed Professorship in Music	57,201
Endowed Professorship in Elect./Mech. in School of Con.	46,940
Endowed Professorship in English	64,836
Entergy Professorship in Computer Information Systems	48,749
Entergy Professorship in Instructional Tech. in Teacher Ed.	47,135
George T. Walker Endowed Professorship in Entrepreneurship	53,247
Glenwood Regional Medical Center Professorship in Nursing	61,033
John L. Luffey Sr. Endowed Professorship in Accounting	51,087
Kitty DeGree Endowed Professorship in Biology	51,079
Kitty DeGree Endowed Professorship in Computer Info. System	46,213
Kitty DeGree Endowed Professorship in Education	53,233
Kitty DeGree Endowed Professorship in Occupational Therapy	69,632
Kitty DeGree Professorship in Computer Science	69,010
Mary Ellen Walker Professorship in Early Childhood Education	46,213
Northeast Chapter Associated General Contractors of Am. (A)	53,322
Northeast Chapter Associated General Contractors of Am. (B)	52,328
Pfizer Inc.- B. J. Robison Professorship in Pharmacy	66,334
Sister Anne Marie Twohig Professorship in Nursing	60,174
Sister Jerome Crowley Professorship in Nursing	56,359
Sister Ligouri Lawton Endowed Professorship in Nursing	59,834
State Farm Professorship in Insurance	59,434

(Continued)

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
Schedule of Individual Endowment Fund Balances, 2001

Endowed Professorships (Cont.)

Tom Scott Endowed Professorship in Agriculture	\$61,437
Tom Scott Endowed Professorship in Teaching Excellence	58,954
Tommy and Mary Barham Endowed Professorship in English	49,397
ULM Endowed Professorship in Communicative Disorders	61,483
ULM Endowed Professorship in Education Administration	68,395
ULM Endowed Professorship in Entrepreneurship	73,672
ULM Endowed Professorship in Geology	68,309
ULM Endowed Professorship in Gerontology	60,867
ULM Endowed Professorship in Nursing	64,221
Vernon W. "Bodie" McCrory First Amendment Prof. in Mass Comm.	49,631
W. R. Hammond Professorship in Liberal Arts	63,143
Waste Management Endowed Professorship in Toxicology	62,921
Total Endowed Professorships	<u>2,139,982</u>
Total	<u>\$5,656,391</u>

(Concluded)



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
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November 15, 2001

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of the General Purpose Financial Statements

UNIVERSITY OF LOUISIANA AT MONROE
STATE OF LOUISIANA
Monroe, Louisiana

We have audited the general purpose financial statements of the University of Louisiana at Monroe, a component unit of the State of Louisiana, as of and for the year ended June 30, 2001, and have issued our report thereon dated November 15, 2001. The scope of our audit was limited in that we were unable to satisfy ourselves about the fund balance at the beginning of the year. This resulted in a qualified opinion on the general purpose financial statements. Except for this scope limitation, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the University of Louisiana at Monroe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University of Louisiana at Monroe's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect University of Louisiana at Monroe's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

LEGISLATIVE AUDITOR

UNIVERSITY OF LOUISIANA AT MONROE

STATE OF LOUISIANA

Compliance and Internal Control Report

November 15, 2001

Page 2

Financial Statements Not Properly Prepared

For the third consecutive audit, the University of Louisiana at Monroe submitted annual financial reports that were not properly prepared and contained numerous errors. The Division of Administration, Office of Statewide Reporting and Accounting Policy, requires financial statements that are prepared in accordance with the instructions of that office, which is also in accordance with generally accepted accounting principles. Good internal controls would provide the university with procedures to record, process, and summarize financial data needed to prepare accurate financial statements. These procedures should require that accounts be periodically analyzed and reconciled to subsidiary ledgers or detailed information to determine the validity of the account balances. Also, good internal control procedures should require that upper management review the financial statements so that any preparation errors can be detected and corrected in a timely manner.

Auditors proposed 15 adjustments to the financial statements (Statements A, B, and C) with dollar impacts ranging from \$29,443 to \$3,295,765. There were 11 adjustments required to correct the notes to the financial statements. Furthermore, much of the supporting documentation to the financial statements and notes to the financial statements was developed after the financial statements were issued.

Management has not trained staff nor developed detailed instructions for the compilation of the financial statements. Adequate training and instructions would ensure that the statements are prepared in accordance with the requirements of the Division of Administration and generally accepted accounting principles and contain accurate information that can be reconciled to supporting financial records. Management's lack of emphasis on financial reporting can result in the preparation of financial statements that are misleading to the reader and not fairly presented in accordance with generally accepted accounting principles.

Management should develop a formal written compilation process that requires periodic reconciliation of all general ledger accounts to subsidiary or supporting records. The compilation process should include the performance of analytical procedures and a high-level supervisory review of financial information and note disclosures to detect and correct errors in a timely manner before submitting that information to the Division of Administration and to auditors. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

UNIVERSITY OF LOUISIANA AT MONROE

STATE OF LOUISIANA

Compliance and Internal Control Report

November 15, 2001

Page 3

Information Systems Control Weaknesses

For the second consecutive audit, the University of Louisiana at Monroe has not developed and implemented adequate internal control in the Information Systems (IS) Department, Bookstore, and University Police Department. Adequate controls would include the proper segregation of duties, security over data files, and procedures for determining whether systems balance or reconcile and are working as intended.

The review of the controls over the various departments disclosed the following weaknesses:

1. Access to computer applications was not limited to "business-need only," which increases the risk that erroneous or fraudulent data will be input into the system.
 - (a) Three employees had unlimited read-write access to the Financial Reporting System (FRS). These employees did not need the unlimited access to perform their duties.
 - (b) One current accounts payable employee and one former employee were granted access to FRS to add and/or modify the vendor master files, initiate check requests, receive printed checks and check registers, and distribute checks to vendors.
 - (c) The bookstore uses a stand-alone system for which the bookstore director serves as the system administrator and has read-write access to all of the records.
 - (d) The Chief of University Police and three other employees have read-write access to all files in the stand-alone ticket tracking system without independent review.
2. The Bookstore did not store its backup tapes or disks off-site for its stand-alone system.
3. A possible programming problem may exist relating to the stand-alone ticket tracking system used by University Police and the Student Information System. The two systems did not necessarily have the same balances for certain student accounts tested.

UNIVERSITY OF LOUISIANA AT MONROE

STATE OF LOUISIANA

Compliance and Internal Control Report

November 15, 2001

Page 4

Although a number of experienced programmers left the IS Department in prior years, staffing has stabilized during the current year. Individuals who have replaced the former programmers are obtaining a good working knowledge of the university's systems. However, a backlog of tasks remain to be both identified and performed within the department, which could impact the financial data reported by the university.

Management should review and update IS controls and procedures to ensure that access is on a business-need only basis, adequate segregation of duties exist, and that backup policies are adequate and include off-site storage requirements. Finally, management should review applications with users to determine whether the information in the various systems balance or reconcile and to ensure that the systems are working as intended. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 2 and 3).

**Untimely Collection Efforts for
Amounts Owed the University**

The University of Louisiana at Monroe has not provided the resources or instituted the policies and procedures necessary to ensure that amounts owed the university are collected in a timely manner. Management has the fiduciary responsibility to establish and maintain the controls necessary to enable the university to substantiate all claims against others for amounts due and to collect these amounts in a timely manner. The following discloses the results of work performed on amounts due the university:

Student Receivables

The Student Information System (SIS) All SIS Debts report at June 30, 2001, indicated that total student receivables of \$874,524 were due from 1,898 students. Accounts totaling \$230,904 (26%) for 392 of those students had been turned over to the university's collection agency.

- From the student receivable accounts totaling \$874,524, thirty were haphazardly selected for testing. As of the test date, university records reflected that 17 of the accounts had been fully paid; 13 of the accounts had an outstanding balance. Six of the 13 accounts (46%) were over one year old, were not on the deferral list, and no evidence existed to indicate that the university had made any collection effort.

LEGISLATIVE AUDITOR

UNIVERSITY OF LOUISIANA AT MONROE

STATE OF LOUISIANA

Compliance and Internal Control Report

November 15, 2001

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Bookstore Accounts Receivable

At June 30, 2001, bookstore accounts receivable total \$494,857. Various university departments owed \$84,281; students owed \$410,576.

- Bookstore receivable balances have increased by more than 40% each year since July 1998 when the bookstore began maintaining its own receivable records (June 1999 - \$236,560; June 2000 - \$339,666; June 2001 - \$494,857). Such an increase may be partially attributed to the fact that bookstore receivable amounts are not integrated into the SIS, which increases the risk that students may not be held accountable for debt owed.
- The bookstore's accounting system has the ability to age the accounts so that management can monitor the status of delinquent accounts. At June 30, 2001, 75% of the student accounts were more than 120 days old.
- Twenty student receivable accounts were selected for testing. Eight (40%) had unpaid balances with no evidence of collection efforts or referral to the collection agency.

Bookstore Vendor Receivables

Bookstore receivables at June 30, 2001, include \$108,084 for vendor receivables, which represent merchandise returns and credit memos. Ten returns/credit memos were tested and the following deficiencies were noted:

- Three did not have adequate supporting documentation to support the validity of the receivable.
- The bookstore manager was unable to provide adequate shipping documentation or a credit memo to support one textbook return selected for testing.
- Adequate documentation or explanation was not provided for two credit requests relating to merchandise requiring prepayment before merchandise could be shipped. The actual invoice was less than the amount prepaid and verification of a pending credit memo was not provided.

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UNIVERSITY OF LOUISIANA AT MONROE

STATE OF LOUISIANA

Compliance and Internal Control Report

November 15, 2001

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Management has not considered the collection of these amounts a high priority and, therefore, has not committed the manpower or electronic data processing technical support necessary to collect delinquent amounts owed the university. Furthermore, there is no centralized accounting for all the different sources of receivables: students, individuals, vendors, organizations, et cetera. Management's failure to commit the resources needed to take immediate action to collect amounts owed the university may have resulted in the loss of university assets.

The University of Louisiana at Monroe should commit the resources necessary to analyze university receivables for accuracy and pursue the collection of all amounts owed the university. Management should also take the necessary steps to centralize the accounting for all amounts due to the university to ensure accuracy in the recording, collecting, and reporting of university receivables. Finally, policies and procedures should be developed and implemented for handling aged receivables to enhance the collection of these amounts. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 4 and 5).

University Not Fulfilling Its Fiduciary Responsibility Over Agency Funds

For the second consecutive audit, the University of Louisiana at Monroe did not fulfill its fiduciary responsibility by developing and implementing the control procedures necessary to safeguard the assets of each individual organization that deposits its funds in the Agency Fund. As custodian of the Agency Fund, the university has a legal, as well as a moral, obligation to the organizations to develop an internal control system that would protect the assets of one organization from being used by another organization without the appropriate approval.

Audit procedures for the fiscal year ended June 30, 2001, revealed that the university has continued to allow various organizations and its own clearing accounts to spend beyond their available cash balances. At June 30, 2001, thirteen organizations had deficit cash balances totaling \$269,990. The deficit balances ranged from \$10 to \$113,457. However, five of the organizations with deficit balances totaling \$45,220 properly replenished their accounts in fiscal year 2001-2002.

Management has not implemented policies and control procedures that would prohibit an organization from spending beyond its available cash balance nor has management mandated that organizations clear their deficit cash balances timely. The various organizations that have cash available could require the university to use public funds to cover their current expenses if the Agency Fund's total cash becomes insufficient.

EXHIBIT A

LEGISLATIVE AUDITOR

UNIVERSITY OF LOUISIANA AT MONROE

STATE OF LOUISIANA

Compliance and Internal Control Report

November 15, 2001

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The University of Louisiana at Monroe should develop and implement the policies and control procedures necessary to fulfill the university's fiduciary responsibility to the organizations with funds on deposit in the Agency Fund. At a minimum, these policies should include the refusal to process an organization's invoices for payment unless adequate funds are available in that organization's account. Furthermore, even though these organizations have access to the accounting system, the university should provide each organization with timely reports that indicate their cash balances and the amount of all unpaid invoices for which funds are not available. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 6 and 7).

Bookstore Control Weaknesses

For the second consecutive audit, the University of Louisiana at Monroe did not maintain an adequate segregation of duties over its bookstore inventory and did not prepare reconciliations of general ledger accounts to detailed inventory records. Good internal control requires the separation of the authorization, receipt, issuance, recording, and custodial functions to safeguard assets, to ensure that accounting data are both accurate and reliable, and to ensure that errors and/or fraud are detected in a timely manner.

The bookstore director continues to:

- Authorize all purchase orders
- Sign or authorize all receiving reports as the person receiving the goods
- Have the ability to post to the perpetual records
- Post adjustments to the perpetual inventory records for discrepancies between the physical count and the perpetual record
- Maintain custody of the merchandise inventory
- Account for and write-off credit memos from bookstore vendors

There has been no periodic reconciliation of the accounts in the general ledger to receipts recorded in the inventory records. The bookstore reported receipts of \$2,394,591, cost of goods sold of \$2,324,518, and an ending balance of \$653,548 for the fiscal year ended June 30, 2001. In addition, the bookstore manager wrote off \$21,693 in vendor credit memos without review by university staff independent of the bookstore. Outstanding bookstore credit memos total \$144,129 at June 30, 2001.

EXHIBIT A

UNIVERSITY OF LOUISIANA AT MONROE

STATE OF LOUISIANA

Compliance and Internal Control Report

November 15, 2001

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Management has not made developing and implementing good internal control over its bookstore operations a priority. Lack of an adequate separation of duties and periodic reconciliations of records increases the risk that errors and/or fraud relating to bookstore assets could occur without being detected in a timely manner.

Management should review its policies and procedures, organizational structure, and operations at the bookstore. Procedures should be developed to ensure an adequate separation of duties between the authorization, receipt, issue, recording, and custodial functions. There should be a periodic reconciliation between the accounts in the general ledger and receipts recorded in the inventory records. In addition, university staff independent of the bookstore manager should review all write-offs to ensure that necessary steps have been taken to obtain all credits owed the university. Management concurred with the finding and recommendation and outlined corrective measures already taken and additional measures to be implemented (see Appendix A, pages 8 and 9).

Lack of Controls Over Parking Fines

For the second consecutive year, the University of Louisiana at Monroe does not have controls in place to ensure that all issues and collections of parking tickets and related fines are properly accounted for and recorded in university accounting records. A good internal control system requires that adequate control procedures be in place to ensure that parking ticket issues, collections, and voids are reconciled, accounted for, and accurately reflected in the accounting records. The university uses a ticket tracking system that is not compatible with the other computer applications used by the university. Therefore, University Police employees issue tickets, update the ticket system, void tickets and perform most of the accounting functions; however, the cashier's office collects most of the fines, then posts the receipts on-line in the ticket system. The ticket tracking system then updates the student accounts in the Student Information System (SIS).

On June 30, 2001, the Cardinal Ticket Tracking System had a balance of unpaid parking tickets of \$194,033; this total is net of voided tickets, which continue to be accounted for in the tracking system even though uncollectible. This balance included \$5,015 for students currently enrolled, \$34,612 for students not currently enrolled, \$6,960 for employees, and \$147,446 for unidentified violators. The following weaknesses were noted during the review of the system:

- The University Police issue parking tickets, post the issuance of the tickets to the Cardinal System, void tickets, and occasionally accept payment for tickets on weekends and nights. This inadequate segregation of duties creates significant risk of error or fraud because

UNIVERSITY OF LOUISIANA AT MONROE

STATE OF LOUISIANA

Compliance and Internal Control Report

November 15, 2001

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there is no subsequent reconciliation between tickets issued or voided and the ticket revenue. Without a reconciliation performed by an employee outside of the police division, there is no assurance that all tickets and related receipts have been properly accounted for in the accounting records.

- University Police employees do not account for all tickets voided. The university has an Appeals Committee, but the police chief and three other University Police personnel have been authorized to void parking tickets without any review by the Appeals Committee. For fiscal year 2001, these individuals voided tickets totaling \$39,999.
- No independent account reconciliations are being performed between the stand-alone Cardinal Ticket Tracking System and student accounts in SIS.

Management has not developed and implemented procedures to ensure that the assets of the university are adequately safeguarded. These procedures would include adequate segregation of duties, either an electronic interface or periodic reconciliations between the stand-alone ticket tracking system and SIS, and periodic reconciliations between tickets issued/voided and subsequent collections. Failure to develop and implement adequate controls over parking ticket issues and collections increases the risk that funds could be lost and that fraud and errors could occur and not be detected timely, if at all.

Management should establish adequate procedures, including the proper segregation of duties and adequate record keeping, to ensure that all parking tickets and related fines are properly accounted for and recorded. Procedures should also be formally adopted for voiding parking tickets. This process should specifically indicate who has the authority to void a ticket and under what circumstances a ticket can be voided. Finally, all void tickets should be reviewed and approved by the Appeals Committee. Management concurred with the finding and recommendation and outlined a plan for corrective action (see Appendix A, pages 10 and 11).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions

LEGISLATIVE AUDITOR

UNIVERSITY OF LOUISIANA AT MONROE

STATE OF LOUISIANA

Compliance and Internal Control Report

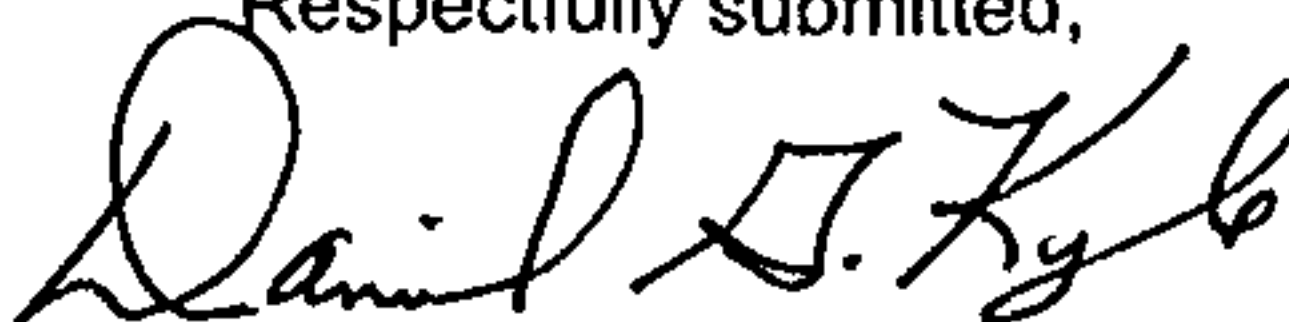
November 15, 2001

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that are also considered to be material weaknesses. However, we believe none of the reportable conditions described previously are material weaknesses.

This report is intended solely for the information and use of the university and its management and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with a large initial "D" and "K".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

CAC:WJR:DSP:dl

[ULM01]

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



The University
of Louisiana

M O N R O E

Office of the President

700 University Avenue
Monroe, LA 71209-3000
ph. (318) 342-1010
fax: (318) 342-1019

November 7, 2001

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 Riverside Drive
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

RE: Financial Statements Not Properly Prepared

We concur that the annual financial report preparation process needs improvement.

Management is currently evaluating the steps used in the preparation of the 2001 Annual Financial Report and will develop and implement a formal written compilation process for future reports. These revised procedures will include, but not be limited to, the following:

- A periodic reconciliation of all general ledger accounts to subsidiary ledgers and/or other supporting records
- The establishment of a periodic analytical review of all financial information by appropriate upper management personnel
- The training of staff and the development of detail instructions for the compilation of financial statements
- The preparation of formal monthly and year-to-date comparative financial statements, by fund, with high-level supervisor review of the statements and note disclosures
- The establishment of a formal review process for all internal financial reports with special emphasis to be placed on the Annual Financial Report

In addition, plans are being developed to strengthen the Controller's fiscal affairs operations by adding an Information System Department which will consist of five employees who will report directly to the Controller. The creation of this department will allow the University to more fully utilize its computer system's financial reporting capabilities.

Robert Earl Turner, Vice President for Business Affairs, will be the contact person for this finding.

Sincerely,

Lawson L. Swearingen, Jr.
President



Office of the President

700 University Avenue
Monroe, LA 71209-3000
ph. (318) 342-1010
fax: (318) 342-1019

October 10, 2001

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 Riverside Drive
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

RE: Information Systems Control Weaknesses

We concur that internal control procedures in the Information System Department (IS) could be improved.

1) Of the five employees noted who had access beyond "business need only," two have since terminated employment with the university and have had all computer access terminated, and one has had access limited to read-only and restricted to the specific accounts in her department. The system access of the remaining two individuals is currently being evaluated and will be limited to "business need only."

The Director of Auxiliary Enterprises has assumed the duties of System Security Administrator for the stand alone system used by the bookstore. A written policy was developed in June 2001 to document the procedures used to control passwords and monitor access to the system.

Access to the University Police's stand-alone system will be reduced to two employees with read-write authority. An employee from the controller's office will conduct a monthly review of changes made within the ticket tracking system. The Internal Audit Department will also make periodic checks of the system.

2) Beginning July 2, 2001, the bookstore began storing daily backup tapes of its stand alone system in the fire proof vault at Indian Bank. A written policy has been developed to document the backup procedures.

ULM Audit
IS
October 10, 2001
page 2

3) Procedures are being developed to reconcile the information entered into the University Police ticket tracking system with the parking fine transactions recorded in the Financial Records System. In addition, periodic testing will be performed to verify that ticket fines recorded in the ticket tracking system for former and current students agree to the debt amount in the Student Information System. Once these procedures have been defined, an employee in the Controller's office will be assigned the task of reconciling the information in the three systems on a monthly basis.

The Vice President for Business Affairs will be responsible for ensuring that appropriate control procedures are identified, implemented, and maintained.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawson L. Swearingen, Jr.", written in a cursive style.

Lawson L. Swearingen, Jr.
President



The University
of Louisiana

M O N R O E

Office of the President

700 University Avenue
Monroe, LA 71209-3000
pn: (318) 342-1010
fax: (318) 342-1019

November 8, 2001

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 Riverside Drive
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

RE: Untimely Collection Efforts for Amounts Owed the University

We concur that collection efforts need improvement for amounts owed the University by students as well as bookstore vendors.

Analysis of current and prior year student receivables indicate that outstanding balances have increased dramatically since the University provided deferred payment options for both tuition and fees and bookstore purchases. Therefore, effective Fall 2001, the deferred payment plan for tuition and fees was terminated. Deferments are allowed only in extenuating circumstances following approval by a special committee. In addition, the Books Plus student credit plan in the ULM Bookstore will be terminated beginning the Spring 2002 Semester. This plan may ultimately be replaced with the use of debit cards issued through Indian Bank.

In order to enhance collection efforts of outstanding student receivables, the following policies and procedures were developed and are being implemented as staffing allows:

- Students who are currently enrolled and have outstanding debt to the University are mailed monthly bills. Each student account is analyzed to determine the source of funds available for satisfaction of the amount owed. If evidence does not exist showing that outstanding balances are to be covered by pending financial aid, scholarships, or other 3rd party sources, Student Account Services (SAS) attempts to contact the student by telephone. If attempts to reach the student via telephone are unsuccessful, SAS deactivates the student's ID card and sends a notice to classes for the student to contact SAS. If all attempts to reach the student fail, classes may be dropped for non-payment and the student will be billed for the balance due. In addition, the individual's account is flagged as financially ineligible which prohibits future registration for classes and release of academic transcripts.
- At the beginning of each semester, SAS reviews the accounts of former students who have unpaid balances from the previous semester to determine if the terms of any payment agreement are being met. If the individual is in non-compliance, SAS mails the former student a request for payment of the amount owed, a contact number, and the

Dr. Daniel G. Kyle, CPA, CFE
November 8, 2001
page 2

consequences of non-payment. This letter is followed by a telephone call as well as a second letter. If all three notification attempts do not result in a satisfactory response, the account is submitted to an external collection agency.

- Unpaid student accounts with balances outstanding for over one year are analyzed individually to ascertain the type, source, cause, and validity of the debt. After the nature of the debt is determined, any invalid charges are adjusted. Valid charges are reviewed for collection potential or possible write off if the amount is insignificant. Collection efforts include personal contact with the former student via mail or telephone, and/or submitting the account to an external collection agent.
- After all collection efforts are exhausted, the outstanding debt is removed from the student's individual account in the Student Information System. The posting of this transaction also reduces the Student Receivables balance in the University's Financial Records System. However, a financial "hold" remains on the student's account to prevent the individual from registering for any future classes or obtaining a transcript.
- Student receivables resulting from unpaid tuition and fees as well as from unpaid bookstore charges will be centralized in the Student Account Services department to coordinate collection procedures and to ensure collection policies are applied uniformly. Rebecca Hood, Assistant Controller, will be responsible for implementing and overseeing the centralization of these two accounts receivable areas.

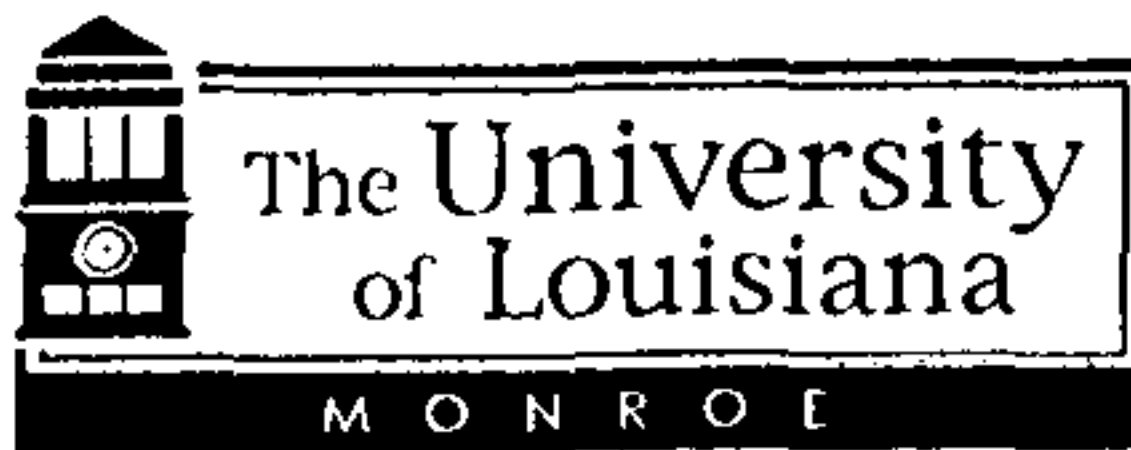
Bookstore vendor receivables resulting from merchandise returns and credit memos will be reviewed in depth and classified relative to their collection possibility. Procedures will be implemented to ensure timely review of all outstanding credits due the University in order to collect such credits through the normal course of business or to write them off as circumstances warrant. Gary Huckabay, Director of Auxiliary Services, will be responsible for monitoring the collection efforts of bookstore vendor receivables.

Mr. Robert Earl Turner, Vice President for Business Affairs, will be responsible for ensuring the above policies and procedures are developed, implemented, and maintained.

Sincerely,



Lawson L. Swearingen, Jr.
President

**Office of the President**

700 University Avenue
Monroe, LA 71209-3000
ph: (318) 342-1010
fax: (318) 342-1019

November 7, 2001

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 Riverside Drive
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

RE: University Not Fulfilling Its Fiduciary Responsibility

We concur that controls over Agency Fund accounts could be improved; however, please note that steps have been taken since our prior audit to enhance controls over the Agency Fund accounts. As a result, while the fiscal year 2000 audit cited twenty four accounts as having negative cash balances, only thirteen were identified as having deficit balances at 6/30/01. Furthermore, as of 10/31/01, six of the thirteen accounts were no longer carrying negative cash balances. The deficits in five of the remaining seven accounts will be resolved by mid November.

As you recommended, the University has developed additional policies and control procedures to fulfill its fiduciary responsibility to the organizations with funds on deposit in the Agency Fund. These improvements, which were implemented in March of 2001, include the following:

- The Responsible Person for each Agency Fund account with a deficit balance was notified that the account was being monitored and that the negative balance must be addressed.
- Accounts with negative balances were frozen so that no activity can be posted without authorization from the Director of Sponsored Programs and Research.
- Forms were distributed for all Agency Fund accounts to provide updated information regarding the Responsible Person.
- The Responsible Person for each Agency Fund account was provided detailed instruction on how to monitor his or her own account. These instructions included information on obtaining computer access authorization forms so that individuals could monitor their accounts on-line via the Financial Records System (FRS). In addition, the Director of Sponsored Programs and Research is currently evaluating the need for printing monthly reports that would provide information regarding the Agency Fund accounts. However, these reports would only reiterate the information already available on-line in the FRS computer system.

Dr. Daniel G. Kyle, CPA, CFE
November 7, 2001
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In addition to the above mentioned control procedures, other measures are used to ensure Agency Fund accounts are adequately monitored. The Director of Sponsored Programs and Research must approve all expenditures made from Agency Fund accounts. She verifies that funds are available in the account prior to submitting the request for payment to accounts payable for processing. *If funds are not available, the request for payment is not approved and is returned to the Responsible Person with notification that the account balance is insufficient.*

Finally, in a vote by the student body in early November 2001, approval was obtained to increase self-assessed fees for Student Publications from \$7.00 to \$15.00 for students enrolled in four or more hours for the Fall and Spring Semesters and from \$2.44 to \$5.00 for each summer session. This fee increase will be effective for the Spring 2002 semester and will approximately double revenues for the student yearbook and newspaper accounts. Thus, we anticipate that the deficit balances in these accounts will be eliminated by the fiscal year ending 2002 - 2003. These accounts will continue to be closely monitored with respect to all expenditures and revenues.

We are confident that with the control procedures currently in place, any deficit account balances will be resolved prior to the close of the 2003 year and the University's fiduciary responsibilities will be satisfied.

Ann Colvin, Director of Sponsored Programs and Research, is the University employee responsible for evaluating, improving, and maintaining control procedures over all Agency Funds.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawson L. Swearingen, Jr.", written in a cursive style.

Lawson L. Swearingen, Jr.
President



Office of the President

700 University Avenue
Monroe, LA 71209-3000
ph: (318) 342-1010
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October 24, 2001

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 Riverside Drive
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

RE: Bookstore Control Weaknesses

We concur that internal controls over bookstore inventory can be improved, but note that significant progress has been made in addressing separation of duties and periodic reconciliation of records.

The review, development, and implementation of formal control procedures over bookstore operations is an ongoing process. The following controls were implemented following our prior year audit:

- All bookstore purchase orders exceeding \$500 must be approved by both the Director of Auxiliary Enterprises as well as the Director of Purchasing.
- Procedures have been established to enhance the segregation of duties over the bookstore receiving function. Four employees are involved in the receiving process. One individual counts the items received in the shipment, a second individual compares the bill of lading to the receiving report, and a third individual enters the number of items received into the bookstore inventory system. The Bookstore Manager oversees the receiving process and, in accordance with University policy, signs the receiving report prior to submitting it to the Controller's office for payment processing.
- The Director of Auxiliary Enterprises is the System Security Administrator (SSA) for the stand alone system used by the bookstore. The SSA controls all assignments of and changes to passwords. The SSA monitors the system by reviewing a software generated transaction listing that documents any changes made to the system. This report is also reviewed by the Controller. In addition, a written policy was developed in June 2001 to document the procedures used to control passwords and monitor access to the system.

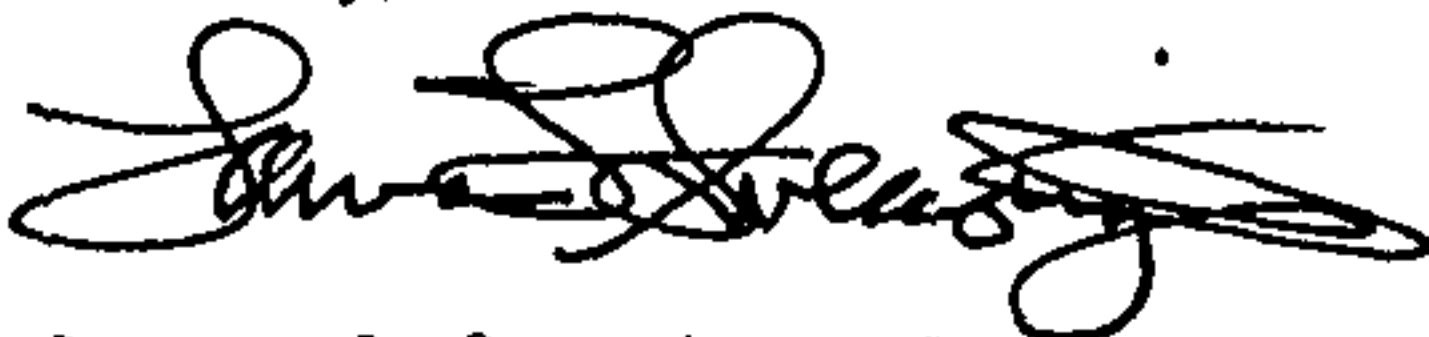
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To further ensure internal controls are adequate for bookstore operations, the following procedures will be established prior to the start of the Spring 2002 semester:

- The Bookstore Manager will be responsible for comparing the perpetual inventory records to the physical count. The Director of Auxiliary Enterprises will be responsible for reconciling any variance between the perpetual records and physical count.
- Procedures are being implemented to improve the collection of outstanding vendor credits owed to the university. These procedures will include ensuring that credits due from active vendors are applied to subsequent purchases from the vendor. All reasonable measures will be taken to collect outstanding credits from vendors with whom we no longer have a business relationship. If all collection efforts prove unproductive, the Bookstore Manager will provide the Director of Auxiliary Enterprises with written documentation of all attempts made to collect the credit. The Director of Auxiliary Enterprises must approve all credits for write off before submitting them to the Controller's office for posting to the general ledger.

Robert Earl Turner, Vice President for Business Affairs, will be responsible for ensuring that the above procedures are formalized, implemented, and followed.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawson L. Swearingen, Jr.", written in a cursive, stylized script.

Lawson L. Swearingen, Jr.
President



Office of the President

700 University Avenue
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October 10, 2001

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 Riverside Drive
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

RE: Lack of Controls over Parking Fines

We concur that controls over parking fines could be improved. The following procedures are being developed to enhance controls over parking fines. These procedures will be implemented prior to the start of the Spring 2002 semester.


- A comprehensive written policy concerning parking citations will be developed and implemented. The policy will include, but not be limited to, the following areas: issuing tickets; recording tickets in the University Police ticket tracking system; voiding tickets; reconciling tickets issued and paid between the ticket tracking system, the Student Information System, and the Financial Records System; reconciling all tickets issued whether paid, void, or outstanding; writing off dated outstanding accounts, including those already in the system; and improving collection efforts to enhance revenue received from payment of outstanding tickets. This policy will be a collaborative effort between the University Police Department, the Computing Center, the Traffic and Parking Appeals Committee, and the Controller's office.
- A Traffic and Parking Appeals Committee has been created from departments independent of University Police to review and approve parking tickets to be voided as well as the amount of outstanding ticket balances to be written off. This committee meets periodically to approve all tickets requested for voiding prior to actual voiding in the ticket system. An approved list of all void tickets will be maintained by the committee and by the police department. As part of the parking ticket system / university system reconciliation process, an employee from the Controller's office will verify that only tickets approved by the committee for voiding were actually voided from the ticketing system. The Controller's office will also verify the write off amount for outstanding ticket balances was approved by the committee prior to recording the entry in the general ledger.

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- An employee in the Controller's office will be assigned the task of reconciling the information entered into the University Police ticket tracking system with the parking fine transactions posted in the Financial Records System. Any discrepancies will be discussed with the Director of University Police and/or the Vice President for Business Affairs as necessary.
- University Police will be prohibited from collecting money for parking tickets. Individuals will be instructed to use the night depository at Indian Bank to pay parking fines after business hours and on weekends.

The Vice President for Business Affairs is responsible for ensuring that the control procedures described above are implemented and maintained.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawson L. Swearingen, Jr.", with a stylized flourish at the end.

Lawson L. Swearingen, Jr.
President